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How co-operative societies
can supply their...

Manchester [Eng.]

1899

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Co-operative Union, Ltd.,

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HOW

Co-operative Societies

CAN

SUPPLY THEIR MEMBERS

WITH

Dwelling-Houses.



MANCHESTER:

PUBLISHED BY THE CO-OPERATIVE UNION LTD., LONG MILLGATE.

1899.

HOW CO-OPERATIVE SOCIETIES CAN SUPPLY THEIR MEMBERS WITH DWELLING-HOUSES.

THE function of co-operation is to enable the working class to obtain a more equitable share of what they produce than is possible under existing industrial conditions. One of the causes of poverty is that the majority of wealth producers working with brain and hand are not able to exchange with each other what they produce without toll being taken from it by intermediaries who add nothing to its value. Co-operation affords the surest means by which this toll-taking can be avoided. Two things speedily result from distributive co-operation: it raises the standard of living of a class whose standard is low, and it creates capital. The higher the standard of living of the great mass of the people, the better it is for trade, because the greater the consuming power of a community is, the more is labour set in motion to provide for it. The function of capital is to set labour in motion, but co-operative capital is the only capital which sets labour in motion for the benefit of labour alone. By its reproductiveness, co-operation equips the masses with collective power to undertake responsibilities hardly as yet realised by them as being possible. Without disturbing society, without laying hands on what belongs to others, but out of simple independence and honest forethought the beneficent work of the movement is being conducted.

As a higher standard of living is reached by co-operators there arises naturally a demand for better housing accommodation—a demand which can be met much more readily in some districts than in others. Circumstances which greatly affect a society in one locality may have no bearing whatever in another where the surroundings are apparently the same, and where the wants and habits of the members may not exhibit any great difference. In beginning any undertaking of this character, therefore, it is advisable to count the cost and to look at the thing from every point of view. Happily, in respect to house building and to granting advances on mortgage, we are not altogether on new and untried ground. Throughout the Co-operative Union the practice of societies buying land and building houses, or having houses built for their members, has become general. Some societies hold the houses as landlords and let them to members at reasonable rents; some allow members to purchase at easy rates of repayment, little, if anything, more than an ordinary rent would be; while others provide for those who wish to buy, and those who want simply to rent houses. By some societies mortgage advances are granted to members on the security of houses already built, which have taken their fancy; they pay a moderate deposit and little more than an ordinary rent, and the houses eventually become their own unencumbered property. Cohesion, stability, and prestige are outgrowths from a house-purchasing department. Knowledge that the dividend on every pound's worth of goods they buy at the store brings them a few bricks nearer to being the owners

of a house each, ensures loyal trading by members in greater degree than anything else.

But the material benefit is by no means all that should be aimed at. What is the condition of thousands of working men? They are considered the legitimate prey of jerry-builders and house speculators. No houses give such a large return for capital as those tenanted by the industrious working class, for their rents are unduly high to make up losses to house-owners occasioned by the migratory class who flit from house to house fouling and damaging each, until it is temporarily uninhabitable. A co-operative society, by changing and improving the environment of its members, renders untold benefit to the community. No pen can adequately depict the evils arising from the defective sanitation and overcrowding of the brick and mortar wildernesses in which so many are compelled to live. They are the fundamental causes of half the moral problems that now confront civilisation. There can therefore be no doubt that it is the duty of co-operative societies, as societies and also as forces in citizenship, to use every available means to rescue their members and families from moral contamination. As to the means, there is not at present much difference of opinion. Business considerations in the end always modify or determine the attitude of a co-operative society to social questions. For example, where the trade of a town or district fluctuates, there naturally is not only a small demand, if any, upon a society for houses on the hire-purchase system, but a disinclination also on its part to build and let to members as a landlord, owing to risk of loss from houses remaining long on its hands untenanted.

Any committee who seriously proposed, on any grounds, to run this risk would be removed from office and their places taken by others less venturesome. It is this possibility of loss from unlet houses that prevents many societies, which build and sell largely, from holding and letting to any considerable extent as landlords even where trade is fairly constant. Unless a society has all its members as tenants, it is argued, it is not equitable for the whole body to bear loss or share in gain. Let each member, therefore, who desires go upon the hire-purchase system, taking all benefit and running all risk. Hence, generally, the individualist idea prevails at present over the collectivist.

As far as motives are concerned, there is no difference between members who are house purchasers and members who simply rent houses from a society. Material considerations affect both alike. Instances are known where the former class have packed general meetings to get their mortgage interest fixed at a rate unduly low, while the latter have taken the same means to secure a reduction of ten per cent on their already fair rents. Taking men and women, therefore, as they are, and avoiding theorists and generalisers as far as possible, it is advisable for a society that has the will and the means to supply houses to its members to get to know, first of all, exactly what they want. It will be found, probably, that the wants of no two members are alike. On each being satisfied that he has discovered just the sort of house in just the sort of position of convenience for himself that he requires, the society may, if it is ready for inhabiting, secure it for him in the follow-

ing way, namely—if after inspection by a qualified person it is approved and considered worth the price asked for it by the vendor, the cost of a double conveyance can be avoided by the society providing the money, and ordering the deed to be made out direct from the vendor to the purchasing member. The latter then mortgages the property to the society, the rate of interest on the money advanced having first been fixed and an arrangement made as to what the amount of the repayments of principal and interest shall be. These instalments should be paid monthly, so that they may not be too heavy in amount, and interest should be balanced quarterly. By the terms of his mortgage deed the purchasing member has to undertake all repairs and painting, and, being the actual owner of the equity of redemption so long as he keeps up his payments, he also pays all rates and taxes. If Income Tax is asked for, he pays it, taking a receipt for it, *made out in his own name*. This receipt must be handed to the society as if it were cash, when he makes his next monthly repayment. The society *not being the owner of the house is not liable* by law to pay Income or Property Tax; *it therefore claims from the Special Commissioners* the money which the voucher shows to have been paid by the house purchaser, proceeding in the following manner:—The secretary of the society fills up a form of claim obtainable from the local surveyor of taxes; he makes a statutory declaration of its correctness before a magistrate and forwards it to the Special Income Tax Commissioners, together with the voucher and a statement signed by the president of the society and himself, setting forth that the society *does not limit the number of*

its shares either by its rules or practice. In due course the amount the voucher or vouchers show to have been paid is returned in full to the society, which can then usually get the surveyor to consent to schedule the house purchasers and so exempt them from being called upon by the collector. Should he refuse, however, the same course is gone through every year, or at least every third year, beyond which limit the tax is not recoverable.

The foregoing method of financing a purchase applies to houses already built or to be built by some one apart from the society itself. It has been worked without any expense, except for stamps, by the present writer, who has executed deeds for houses to the value of £50,000 during the last fifteen years. Skeleton mortgage deeds, suitable for freehold property, can be obtained from the Co-operative Union, and may be filled up by any careful person possessing average intelligence.

Where the property is leasehold, a special form of mortgage would be required.

But to proceed a step further:—If a society receives applications from a number of members who desire to have houses built for them according to a certain plan and in a certain locality on land which it owns, it proceeds as above stated, only, the conveyance deeds are from the society itself to the members. If no deposit is demanded by the society, the plan adopted is to wait for six or twelve months until the purchasing member has a property of a few pounds in the house, and then to execute the deed conveying it to him. All the deeds connected with the property remain in the

custody of the society until all the repayments are made, when the society endorses on the mortgage deed the following receipt, which under the Industrial and Provident Societies Act legally re-vests the property in the mortgagor:—

“The A. B. Co-operative Society Limited hereby acknowledges to have received all moneys intended to be secured by the within (or above) written deed.

C. D. } Two members of
E. F. } the Committee
 } of Management.

PENNY
STAMP.

Date and

Amount.



G. H....., Secretary.”

Respecting deposits and *high or low repayments*, there are many things that require *most careful consideration*. A co-operative society must not be classed with a building society. A building society has to make profit to pay the salaries of its staff and the interest on its shares, which are often manipulated by speculators. Unlike the shares of a co-operative society, the shares issued by a building society may be limited in number either by the society's rules or practice, and hence they are capable of being speculated in, and put up to a premium. A co-operative society, on the other hand,

usually enters into the building or house financing business with the double purpose of benefiting its members and utilising its surplus capital, or in other words its accumulated profits. If it charges four per cent on advances and allows quarterly balancings, it is then obtaining probably more than it actually pays to its members as interest, especially if it has a penny bank. This profit is enough, or nearly enough, to pay for the small amount of extra office work, books, and printing. Now, if a society is satisfied that the property on which it has lent money is a fair and honest investment, it is to its own interest to let the money remain invested as long as possible; hence in nearly all cases *the amount fixed as monthly repayment should be small, but the purchasing member should be allowed to pay as much more as he likes*, for most purchasers are anxious to get their houses paid for as speedily as possible. Some are so sanguine that they ask for a heavy sum to be fixed, and after trying to keep it up for a year or two—feeling the burden too heavy to be borne—they will beg for indulgence or for a smaller repayment. To tie a purchaser down to a ten per cent deposit and a seven and a half per cent repayment, means that a society will entirely shut out the poorest section of members who need help most. It is well, therefore, to let all pay a deposit who choose to do so, but to compel none; but this being so, it is imperative also to consider each application on its individual merits. To secure, among other minor points, that no deserving member of good character, but too poor to make a deposit, should be shut out, Mr. Vansittart Neale recommended the Lincoln Society in 1883 to have no rules at all in respect to

procedure by house purchasers, but to put as preface in each member's dwelling-house repayment book a condensed copy, which he himself prepared, of the mortgage deed. This opened the house purchasing department to the poorest section of the members, many of whom, indeed, were the first to avail themselves of its advantages—twenty-one of the first grants of £165 each having been made without the payment of a penny by way of deposit. Occasionally, during prolonged sickness, house purchasers on applying to the committee have been allowed to pay interest only; and in extreme cases of sickness or loss of employment, all repayments have been suspended for several months. The society has not lost anything by pursuing this generous policy, but it is obvious that it is a policy which must be pursued with discrimination, and that great responsibility for its being exercised with impartiality and discernment rests upon the committee of management. It is a condition that each application for an advance shall be made in writing, and that each member applying shall have not less than £5 in the society as share capital. Each application is accepted or rejected, as the case may be, according to the judgment of the committee of management. *No member is allowed more than one advance*, a salutary regulation which acts as a check upon house jobbing.

If a society undertakes to build ten or a dozen or twenty or more houses to order, for as many members, from a certain plan and at an approximate price, it may be set down as a foregone conclusion that the cost per house will come out considerably more than the intend-

ing purchasers expect, for they will order little alterations here and little improvements there, each one of which looks *so nice* and adds *so much* to the convenience, until the cost comes to be counted. Then the glamour is dispelled, and the cold reality of the extra cost makes the purchasers rue their bargains. For these reasons, therefore, a society gives greater satisfaction to its members if it buys houses ready built that suit their fancy or builds by contract, adhering strictly to plans and specifications, and making no alterations in details to suit anybody. It is, indeed, as well in some extreme cases to go so far as to accept no application until houses are built and ready for occupation, for then the interference of numbers of amateur clerks of works is avoided, as well as of that class of people whose self-imposed mission it is to be continually giving advice unasked for.

It is often very speciously argued that co-operative societies supplying members with houses should establish workshops, and employ members who have the necessary skill to build for them. For some minds this course has a subtle charm which experience often rudely dispels, and the reasons are not far to seek, for unless a society can build and sell to its members houses as cheaply as those sold by any builder of good repute, it may be relied upon that the members will not buy, although the houses may be of the most excellent material and workmanship. Fulfilling these conditions, it is only under exceptional circumstances that a society can build houses as cheaply as a builder who has workshops and modern machinery, for he does it as a regular business for which he

has everything necessary, experienced manual labour included, for securing cheap and rapid production; whereas the society has nothing besides ready money and skilled workmen. It is handicapped, also, by entering into a business which may be only temporary, and in which it is entirely at the mercy of employers who will not work harder for a co-operative society than for any other employer. But, if a society has the necessary capital, if the demand from its members for houses to be built is likely to be fairly constant and permanent, if it has within its membership skilled workmen sufficient in number to form the nucleus of an intelligent and workable building staff—what more simple or natural outlet could there be for employing capital and labour co-operatively? The society, with a business in embryo of an assured and certain character, could safely build workshops and equip them with machinery, and it could then with some prospect of success compete with any builder for contracts if the neighbourhood is a growing one.

The possibilities of the greater development of co-operation are realised everywhere by minorities in our societies, but they have an uphill task to convince the bulk of the membership. This is a necessary concomitant of the progress of nearly everything which is solidly successful, and the only compensation for it is that it causes the results when they are achieved to be more valued than if they had been gained easily.

D. McINNES.

MORTGAGE OF FREEHOLDS.

This Indenture, made the

day of 18 between

of the first part, and the
SOCIETY LIMITED of the second part, hereinafter respectively called
"the mortgagor" (which word includes his or her heirs, executors,
administrators, and assigns) and "the society," witnesses that, in
consideration of the sum of sterling advanced
to the mortgagor by the society, the receipt whereof the mortgagor
hereby acknowledges, the mortgagor hereby covenants with the society

1. To repay the sum so advanced to such person or persons,
or at such place, as the committee of management of the society
for the time being (hereinafter called "the committee") appoint
from time to time;

2. To make such payment by instalments of not less than
such sum as is mentioned in the first schedule hereto, payable
with interest at such rate not exceeding £5 per cent per annum,
calculated on the sum due from such time as is thereby speci-
fied, and if no other time is specified from the last of such
payments;

3. To pay (a) all costs or fines (if any) which may be
incurred under the rules of the society in consequence of any
default in making any such payment as aforesaid; and (b)
all such further sums (if any) as under the said rules may
become due in respect of the expenses of the building depart-
ment of the society, or in respect of any ground rent charged
or apportioned by the committee upon the property comprised
in this indenture; and

4. To make all such payments, at and in such time and
manner as the rules of the society direct, or in default of such
direction as the committee appoint, until the said advance is
fully paid.

And this Indenture also witnesses that for the considerations
aforesaid the mortgagor, as beneficial owner, hereby grants to the
society and its assigns the hereditaments specified in the second
schedule hereto, as the same are delineated upon the map or plan
(if any) included therein or thereby referred to, to hold the same unto
and to the use of the society and its assigns; Provides that if the
mortgagor repays to the society the sum advanced by it as afore-
said, by instalments of such amount and so paid as aforesaid, with
interest after the rate and calculated as aforesaid, upon so much of
the said sum as remains for the time being unpaid, and all such
further sum or sums (if any) as may become due to the society
under any covenant or agreement herein contained, the society
shall at any time thereafter, on the request and at the cost of the
mortgagor, endorse upon this indenture a receipt in full for the said
principal sum and interest hereby intended to be secured, signed in
the manner specified by Schedule III. of the Industrial and
Provident Societies Act, 1893.

And it is hereby agreed and declared that all statements made on the
minutes of the society, or of any committee thereof, relating to the
exercise of the powers possessed by it as mortgagee, shall, as
respects purchasers, lessees, or other persons dealing with the
society, be binding and conclusive on the society and the mortgagor.
And that the powers given by Part iv. of the Conveyancing and
Law of Property Act, 1881, to a mortgagee shall be exercisable
by the society upon any default in the payment of any instalment
due under this Indenture, whereupon the said mortgage money shall
be taken to have "become due" within the meaning of section 19
(1, 1) of the said Act. And that the mortgagor shall keep every build-
ing comprised in this Indenture in good and tenantable repair to
the satisfaction of any surveyor whom the committee appoint to
inspect the same; And shall defray the cost of keeping the same
insured in the name of the society or their assigns against damage
by fire in such company, society, or office as the committee think
fit in the sum of pounds sterling, and shall pay the
cost of such insurance and the annual renewals thereof on or before
the ninth day of the month next after the same is due, or in default
thereof shall pay a fine after such rate on the sum insured as is
mentioned in the first schedule hereto, and if no other rate is men-
tioned, at the rate of 1s. in the £; And shall give the committee
notice in writing of any trade or manufacturing process intended to
be carried on, and of every stove, furnace, or other article intended
to be erected on any part of the premises, and of every other act or
thing intended to be done on any part of the same which may in
any wise affect the validity of the policy of insurance before the
same respectively is commenced, erected, or done; and shall not
carry on, erect, or do the same respectively if forbidden by the com-
mittee, nor otherwise than in accordance with its directions; And
that in default of compliance with these provisions the mortgagor
shall be subject to a fine of five shillings for every week from the
commencement of such trade, erection, or other act until the con-
sent of the committee thereto has been obtained; and that the
committee may increase the amount of the insurance of the premises
to any amount they think fit, in consequence of any such trade,
erection, or act, and may pay any additional sum for such in-
creased insurance; And that if the mortgagor make default
in putting or keeping any such building in such repair or in
keeping the same insured to such extent, or in producing such
policy in receipt on demand as aforesaid, the society or their
assigns may put and keep in such repair and so insured as aforesaid
any such building; And that the mortgagor or the assigns of the
mortgagor shall, on demand, repay to the society or their assigns
every sum of money expended by them for any purpose herein-
before mentioned; And that all sums so paid by the society shall be
an additional charge upon the hereditaments hereby conveyed,
with interest after the rate aforesaid, until the same are fully paid;
And that in case of damage by fire the committee shall receive the
amount payable in respect of the damage sustained from such
insurance office or company aforesaid; and a receipt for the same,
signed by the chairman of the committee and countersigned by the

secretary of the society, shall be a sufficient discharge to such office or company for all moneys thereon expressed to be received; And the committee shall have full power to settle with such office or company any question relating to such assurance, and fix the amount to be paid in respect of any damage done to the premises, or make such arrangements with the office or company as to the rebuilding or repairing the premises, or relating thereto, as they think fit; and may, at their discretion, either lay out the money received from such office or company in repairing the damage done to the premises, or apply the same or any part thereof in or towards payment of the amount then due under this agreement, the Society hereby agreeing to pay the surplus (if any) to the mortgagor as personal estate.

Notwithstanding, and the society hereby agrees that it will not exercise the powers in the said Conveyancing and Law of Property Act, 1881, contained, of entering into possession or receipt of rents and profits, or of leasing, or sale, unless and until default has been made in payment of some instalment of the principal and interest hereby secured, for three calendar months after the same has become due, or the mortgagor has been adjudged bankrupt or entered into some arrangement for liquidation or composition with creditors, or should, without the consent of the committee in writing, pull down, remove, or carry away, or cause or procure to be pulled down, removed, or carried away, or should otherwise damage any building forming part of the buildings standing on the premises hereby conveyed.

In witness whereof the mortgagor has hereto set his hand and seal, and the seal of the society, attested as is required by the rules thereof, has been affixed the year and day first aforesaid.

FIRST SCHEDULE, OF PAYMENTS.

Amount of Instalments.....
Days when the Instalments are payable
Rate of Interest and Time from which it is to be calculated.....
Rate of Fine on non-payment of Insurance Premium.....

SECOND SCHEDULE, OF PROPERTIES.

Reference to Map or Plan (if any).....
Description of the Properties conveyed.....

SIGNATURES AND SEALS:

Mortgagor.....

Society { Members {
 { of the {
 { Committee {

Secretary

Signed, sealed, and delivered by the above-named mortgagor in the presence of

Co-operative Printing Society Limited, 118, Corporation Street, Manchester.

**END OF
TITLE**